

# THINKING ABOUT RENOUNCING YOUR U.S. CITIZENSHIP?

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If you are U.S. citizen residing in Canada who is considering renouncing U.S. citizenship, in all likelihood you will have to wait well into calendar year 2017 to be given the opportunity to do so.

In 2015, a record 4,279 individuals renounced their U.S. citizenship or long-term residence, according to data released by the Treasury Department. Last year was the third year in a row for record renunciations. The growing number of renunciations by citizens and long-term holders of green cards is related to an enforcement campaign by U.S. officials against undeclared offshore accounts and an increased IRS focus on international tax compliance. The complexity and cost of preparing a US income tax return for a US citizen living in Canada grows each year as a result. These costs can be substantial even if no US income tax is owed on the return. For other US citizens, differences in the US and Canadian tax systems, including the manner in which Canadian private companies and the sale of a principal residences are taxed, can result in substantial US income tax exposure.

In an effort to try to make the renunciation process more efficient and reduce the wait time at certain consulates (like Toronto) these procedures were consolidated across Canada in recent months and are now coordinated through the Vancouver consulate. When making an appointment, a US citizen can now indicate a preference for a specific location or generally advise that he or she is willing to travel to any of the seven consulates in Canada in order to obtain the earliest available appointment.

We understand that all 2016 expatriation appointments in consulates throughout Canada have now been filled and some consulates, like Toronto, are now booking appointments for the summer of 2017. The current wait time in Canada has caused some of our clients to consider making appointments at US consulates in other foreign jurisdictions.

Supply in this situation is certainly not able to meet up with the current demand of U.S. citizens living in Canada who wish to give up their U.S. citizenship. State Department procedures require that renunciation of U.S. citizenship must (1) be taken in the presence of a diplomatic or consular officer; (2) be taken outside the United States; and (3) be in the precise form prescribed by the Secretary of State.

Also, the procedures now require that prior to being given a renunciation appointment, various State Department forms have to be completed online and certain information must be gathered in support of the application. While we often assist clients in properly completing these forms, attorneys are not permitted to accompany an applicant to the Consulate for the appointment.

Those US citizens considering expatriation should also be aware that a USD \$2,350 (or Canadian dollar equivalent) processing fee is charged at the time of the ultimate appointment. There can also be severe US exit tax consequences to renouncing US citizenship that should be considered.